

### ***Spending Problem More to Blame for Projected State Budget Gap Than Lower Revenue***

The Governor recently portrayed critics of the Fiscal Year 2010 budget as purveyors of “doom and gloom.” Since I shared my analysis of that budget with Iowans just last week, I assume he includes me. As your State Auditor, I deal in facts and reality. There is no such thing as Republican or Democrat numbers. Ironically, my budget analysis actually shows that our current projected revenue situation is not nearly as bleak or “doom and gloom” as the Governor and Legislature want you to believe. The real problem, as my analysis clearly demonstrates, is not a revenue problem but rather a spending problem—Iowa government is simply spending way more than the revenues available.

According to the Revenue Estimating Conference, State revenues are projected to decline only 5% from Fiscal Year 2008 to Fiscal Year 2010. While this is significant, State revenues in Fiscal Year 2010 will still be above where they were three years ago. To listen to the Governor and Legislature talk about it, you would think we were in a crisis similar to the Great Depression. Compared to a two-year revenue decline of 25% during the height of the Great Depression, Iowa’s projected 5% revenue decline over two years presents a much more manageable scenario. In fact, this 5% revenue decline is about the same decline Iowa experienced from Fiscal Year 2000 to Fiscal Year 2002—just a few short years ago. Iowa is also far from double-digit unemployment, with a current unemployment rate of just 5.1%. While there is no question many Iowans are suffering, Iowa numbers are considerably less severe than the national numbers. In the face of considerable national and global challenges, Iowa is doing better than many others, and State revenue projections bear that out.

It is a fact, however, that rather than tightening its belt like Iowa families are doing, the Governor and Legislature actually increased spending in the face of declining revenues. They were able to do this by taking advantage of a huge influx of one-time Federal stimulus monies. The sad note is, the Governor and Legislature act like this Federal money “rains from heaven,” but we all know it actually comes from you and me – the taxpayers. While these Federal dollars were meant to bridge State revenue declines through Fiscal Year 2011, the Governor and Legislature decided to spend most of the Federal monies in Fiscal Year 2010. As a result, Iowa will face over a \$1 billion budget gap in Fiscal Year 2011, and only \$200 million in Federal stimulus monies have been left to deal with the gap. This is a huge problem created not by working Iowans doing their best to put food on the table for their families in these challenging times, but by the budgetary decision makers who have demonstrated time and again their willingness to make the easy budget decisions rather than the best budget decisions.

In over six years as Iowa's State Auditor, I have yet to be challenged on the numbers. That's because my analysis reflects a fair, complete, and accurate picture of the State's finances. In fact, the Legislative Services Agency, the non-partisan arm of the Legislature, has projected an almost identical budget gap for Fiscal Year 2011. I am optimistic and I have faith in the people of this great State—we will weather this economic storm. However, I am extremely concerned because the budgetary decision makers are leading us down a very dangerous path by continually spending way more than can be supported or sustained by Iowa's existing tax and fee structure. The numbers in my budget analysis definitely justify my concern.

While the State's budgeting process can be confusing, it doesn't have to be. By making it confusing, the Governor and Legislature effectively minimize participation by Iowans in the budgeting process. I believe public participation is one of the most critical ingredients needed to bring fiscal responsibility and accountability back to Iowa's finances. That is why I filmed a short YouTube video to help Iowans learn more about the budget—in a clear and understandable way. I encourage you to watch the video by going to YouTube.com and entering the key words "Iowa State Auditor." Iowans have the power to make a difference in our financial future. Contact your Legislators and the Governor and demand the fiscal responsibility we need in order to help ensure the government services Iowans need and deserve are sustainable in the future.

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